Completing the Loan Choice Worksheet with Variable Spread

1. Loan Information

1a. Country Name: This is the official name of the country in which the project or program is located.

1b. Project or Program Name: This is the complete name of the project or program, as it is expected to appear in the loan documents.

1c. Borrower: This is the recipient (either sovereign or subnational entity) of the World Bank loan.

1d. Currency of Loan Amount: This is the currency of commitment of the loan. It could be US dollar, euro, Japanese yen, British pound or two or more of these currencies.

Loan Amount: This is the loan amount agreed to by the Bank.

If the loan is to be denominated in more than one currency, please indicate the name and amount of each currency on a separate sheet.

Interest Rate: effective April 1, 2021, the interest rate on IFLs is based on the Reference Rate[1] plus a variable spread. The variable spread includes a contractual spread, a maturity premium (where applicable), and the Bank's average funding cost relative to the Reference Rate, and the benefits and risks of changes in IBRD's cost of borrowing are borne by the borrower. The Bank's average funding cost relative to the Reference Rate is recalculated quarterly (every January 1, April 1, July 1 and October 1) based on the cost of the underlying funding for these loans and applies to the interest period commencing on the next payment date.[2]

Variable Spread – Components

- Contractual spread
- Maturity premium (8+ years maturity)
- *Average* funding cost relative to LIBOR

For the latest spreads, please visit: https://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees

[1] LIBOR for USD, JPY and GBP and EURIBOR for EUR. LIBOR stands for the London Interbank Offered Rate and is the rate of interest at which banks borrow funds from each other, in marketable size, in the London interbank market. It is the most widely used "benchmark" or reference rate for short term interest rates. For more information on LIBOR, please visit www.bba.org.uk. EURIBOR stands for Euro Interbank Offered Rate and is a daily reference rate based on the averaged interest rates at which Eurozone banks offer to lend unsecured funds to other banks in the euro interbank market. For more information on Euribor visit www.euribor-ebf.eu

[2] Since April 2017, the frequency of calculating the average funding spread component of the IFL Variable Spread is on a quarterly basis. The calculation frequency does not affect the schedule of loan interest rate resets, which for most loans occurs on repayment dates twice a year.

2. Repayment Terms

Borrowers have the flexibility to tailor the repayment terms by choosing any combination of grace period, final maturity, repayment schedule, and amortization pattern. The repayment terms must fall within the policy limits of 35 years maximum final maturity (including the grace period) and 20 years maximum average repayment maturity. Borrowers can use the Amortization Schedule Analyzer (ASA) available in Client Connection to estimate if selected terms fall within the Bank policy limits.

2a. Payment dates: This refers to the dates for repayment of principal and interest. Payment dates are the 1st or 15th of any two months which are six months apart, as selected by the borrower. The first payment date for a loan must be within six months of the expected date of approval by the World Bank's Board of Executive Directors (the Board). For example, if the expected loan approval date is January 5, 2020, then the first payment date must fall between January 15 and July 1, 2020.

2b. Grace period: This is the number of years during the life of the loan in which the borrower pays interest on the loan, but makes no principal repayment. The first principal repayment would occur on the first payment date following the end of the grace period. For commitment-linked repayment schedules, the grace period starts from the Board approval date. For disbursement-linked repayment schedules, the grace period starts at the end of the semester in which the relevant disbursement was made. Following the above example, for a commitment-linked repayment schedule, a 5-year grace period means the first principal repayment would be due between January 15 and July 1, 2025 (depending on the exact selection of payment dates by the borrower).

2c. Total repayment term including grace period: This is the final maturity of the loan. Including the grace period, the maximum final maturity cannot exceed 35 years.

2d. Repayment schedule: This refers to principal repayments, which can be linked to the original committed amount or to actual disbursements. At loan negotiations, the borrower can choose one of the following options:

Linked to commitment: The loan repayment schedule is linked to the timing of loan commitment. Principal repayments are calculated as a share of the total loan amount disbursed and outstanding. The average repayment maturity limit is calculated as the weighted average period of time between expected loan approval and scheduled repayments.

Linked to disbursement: The loan repayment schedule is linked to actual disbursements. Each semester's group of disbursements is treated as a separate tranche with its own repayment terms (i.e. grace period, final maturity, and amortization profile), and must be the same for all tranches within the loan. The average repayment maturity limit is calculated as the sum of the expected average disbursement period and the average repayment maturity of each disbursement tranche. If this option is selected, the borrower must include the loan disbursement profile, broken down by semester.

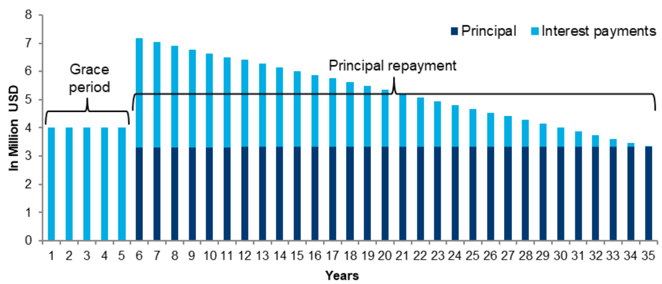
Notes:

*For **disbursement-linked repayment schedules**, level amortization and annuity amortization are currently available. These options may change in the future.*

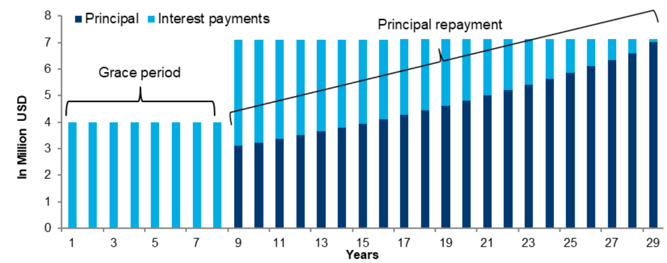
*In the case of a repayment schedule linked to disbursements for **loans with a Deferred Drawdown Option (DDOs and Cat DDOs)**, the term limits are calculated from the date of withdrawal and may be modified at the time of withdrawal. A borrower may choose different repayment terms for each withdrawal, but payment dates must be the same for all withdrawals). The repayment schedule will start from the date of each withdrawal. The average disbursement period is 0.5 years for the purpose of calculating the limits.*

2e. Amortization profile: This refers to how the principal amount is repaid. The borrower can choose among the following options:

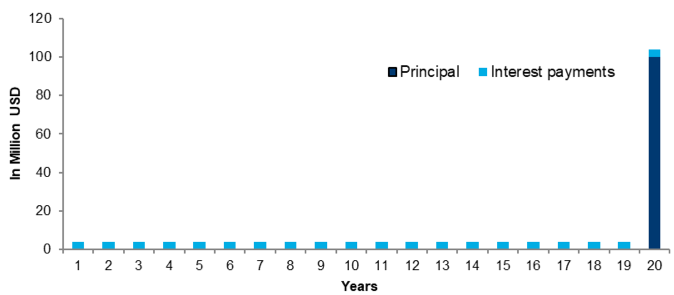
i. Level Repayment: The principal is repaid in equal installments over time.



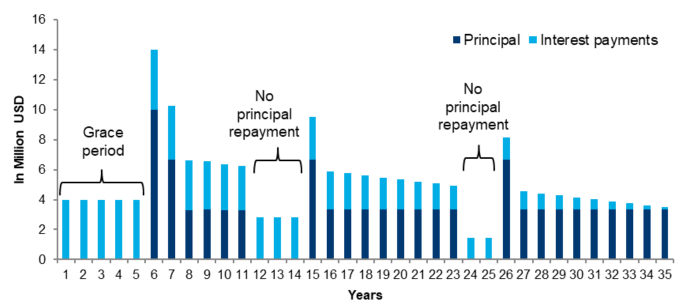
ii. Annuity Repayment: The principal is repaid in increasing installments over time in order to keep the payments of principal plus interest as equal as possible.



iii. Bullet Repayment: The principal is repaid in one lump sum at the end of the term of the loan Borrowers must specify the repayment date.



iv. Other, Tailored Repayment: Principal repayments can be customized to meet the borrower's needs. Borrowers specify the payment dates and corresponding amounts.



Note: Amortization Profiles for the DDO and Cat DDO
For the DDO and Cat DDO, the amortization profile may be modified for each withdrawal upon drawdown, within prevailing maturity policy limits. The borrower may choose different amortization profiles for each withdrawal.

3. Front-End Fee

The front-end fee is 0.25% of the loan amount and may be financed out of the loan proceeds (i.e., capitalized) or paid from the borrower's own resources. The front-end fee for Cat DDOs is 0.50% and the one for Special Development Policy Loans (SDPLs) is 1.00%.

Financed out of loan proceeds (capitalized): When the front-end fee is financed out of the loan proceeds, it becomes part of the principal amount serviced by the borrower and does not alter the negotiated amount. The amount necessary for the payment of the front-end fee will be deducted from the first disbursement of the loan proceeds.

Borrower will pay upfront from own resources: If the borrower chooses to pay the front-end fee from its own resources, the fee is due within 60 days of the effectiveness date of the loan. Payment must be made before the loan can start disbursing.

Note: Capitalization of the front-end fee may be limited if Automatic Conversion to Local Currency (ACLC) is elected. *In case the borrower elects the ACLC, the borrower typically pays the front-end fee out of its own resources. However, if the Bank agrees, the borrower may finance the front-end fee out of the proceeds of the Loan, subject to such additional terms as notified by the Bank to the borrower.*

See "Automatic Conversion to Local Currency" in the Guidelines for Conversion of Loan and Financing Terms ("Conversion Guidelines"). http://www.worldbank.org/en/about/unit/treasury/financial-products/ibrd/ibrd-flexible-loan

Borrowers may also capitalize the commitment fee, interest, and other charges if the Bank agrees to such request. Please refer to Section 2.07 of the General Conditions. Borrowers should contact the Financial Products and Client Solutions department for more information.

4. Conversion Options

The conversion options embedded in the IFL—currency conversions, interest rate conversions, and interest rate cap/collars—are available as default options pursuant to section 4.01 of the General Conditions. The borrowers may opt out of any conversion options. The conversion options can be used anytime during the life of the loan at the borrower's request by submission of a conversion request. Additionally, borrowers may elect to include the ACLC and Automatic Rating Fixing conversions in the loan agreement at loan signing. If not initially included in the loan agreement, the borrower may later access these conversions options by submitting an appropriate conversion request. Certain conversion fees apply at the time the borrower elects to undertake a conversion. For the latest conversion fees, please visit: http://www.worldbank.org/en/about/unit/treasury/financial-products/ibrd/ibrd-flexible-loan#2

4a. Borrowers may opt out of any of the conversion options by checking the appropriate box. Note that opt-out should be used only if there is a requirement for the borrower to do so – absent such requirement, consider not opting out as the conversion options can stay available until the borrower decides to activate any of them.

4b. If borrower chooses not to opt out of Interest Rate Caps or Collars, there are two alternatives for financing the cost of the interest rate or Reference Rate protection provided by a cap/collar.

Cap/Collar premium to be financed out of the loan proceeds: In the case that a premium is to be paid for a cap or a collar on the interest rate or Reference Rate of the loan, the borrower has the option of using some of the loan proceeds to finance the premium, *assuming that enough funds are available to be disbursed to cover the premium*.

Cap/Collar premium paid by the borrower from own resources: In the case that a premium is to be paid for a cap or a collar on the interest rate or Reference Rate of the loan, the borrower may choose to finance the premium from its own resources.

4c. Automatic Rate Fixing Conversion (ARF): This is a request to the Bank to automatically fix the reference rate on the outstanding principal for the remaining loan maturity. The borrower may specify that ARF are to be undertaken by reference to either of the following:

Interest Period: Every 6, 12, 18, or 24 months, the cumulative amount disbursed during the preceding 6, 12, 18, or 24 months respectively, is aggregated into a new tranche and its interest rate is fixed; or

Amount Disbursed: Every time the cumulative amount disbursed reaches a client-specified limit, the cumulative amount is aggregated into a new tranche, and the rate is fixed for that tranche. The minimum amount must be USD 3 million or 10% of the loan, whichever is higher.

Note: The ARF option by amount is not available for IFLs with a repayment schedule linked to disbursement.
If ARF is elected on LCW, the above elections will be reflected in the loan agreement.

4d. Automatic Currency Conversion to Local Currency (ACLC)

This option will automatically convert each loan disbursement and its currency of repayment into a local currency. Please contact the *Financial Products and Client Solutions department* for available currencies, amounts, tenors, and rates as well as for specific instructions and forms related to this option.

If ACLC is elected on LCW, the loan agreement will have an ACLC Annex describing the terms of the ACLC.

5. Borrower's Rationale Statement for Choice of Loan Terms

This statement is given by the borrower as an explanation for the chosen lending terms. It is important so that both the borrower and the Bank have a record of and fully understand the borrower's decisions.

6. Representation

This is a legal disclaimer provided by the borrower which stipulates that the borrower has made informed and independent decisions regarding the lending terms. It also stipulates that the Bank did not make specific recommendations about loan terms to the borrower.

7. Borrower's Signature and Date

This section should be signed by the person who completed the Loan Choice Worksheet. The date is the day on which the worksheet was completed and signed.

Distribution

The completed and signed form should be attached to the Minutes of Negotiation. In addition, copies should be faxed or scanned and sent by email to:

- WFA Regional Service Accounts:
  - Africa – loaafr@worldbank.org
  - East Asia & the Pacific – loaeap@worldbank.org
  - Europe & Central Asia – loaeca@worldbank.org
  - Latin America & the Caribbean – loalcr@worldbank.org
  - Middle East & North Africa – loamna@worldbank.org
  - South Asia – loasar@worldbank.org

- The World Bank Treasury is available to assist you in the selection of financial terms for this project. Please do not hesitate to contact Miguel Navarro-Martin, Manager, Financial Products & Client Solutions, + 1 (202) 458-4722, mnavarromartin@worldbank.org.

- Project Task Team Leader

Contact: **Miguel Navarro-Martin,** Manager, Financial Products & Client Solutions, The World Bank Treasury
mnavarromartin@worldbank.org +1 (202) 458 4722 1225 Connecticut Avenue NW, Washington, D.C., 20433, U.S.A.